

4/7/78

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 7, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM:

HUGH CARTER *HC*

SUBJECT:

Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 3/31</u>	<u>Week Ending 4/7</u>
Presidential	39,950	36,440
First Lady	1,385	1,170
Amy	490	440
Other First Family	<u>65</u>	<u>60</u>
TOTAL	41,890	38,110

BACKLOG

Presidential	4,915	4,035
First Lady	175	95
Amy	0	0
Other	<u>0</u>	<u>0</u>
TOTAL	5,090	4,130

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	14%	9%
WH Correspondence	52%	55%
Direct File	20%	21%
White House Staff	4%	4%
Other	<u>10%</u>	<u>11%</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters	11,082	982
Form Post Cards	11,850	9,875
Mail Addressed to White House Staff	18,133	15,199

cc: Senior Staff

MAJOR ISSUES IN
CURRENT PRESIDENTIAL ADULT MAIL
Week Ending 4/7/78

ISSUES	PRO	CON	COMMENT ONLY	NUMBER OF LETTERS
Support for Proposed Middle East Aircraft Sale	3%	96%	1%	1,263
Suggestions re: Middle East Peace	0	0	100%	1,258
Support for Production of Neutron Weapons (1)	35%	65%	0	803
Support for President's Proposal to Increase Aid for Financing Higher Education	12%	88%	0	747
Suggestions re: Tax Reform Package	0	0	100%	725
Support for Supply of Paraquat Spray to Mexico (2)	3%	92%	5%	410
Support for Fishery Products Embargo	100%	0	0	353
Support for Panama Canal Treaties	7%	93%	0	348
Support for President's Farm Income Aid Proposals 3/29/78 (3)	19%	69%	12%	<u>197</u>
			TOTAL	6,104

~~(See Notes Attached)~~

not submitted

NOTES TO MAJOR ISSUE TALLY

Week Ending 4/7/78

(1) SUPPORT FOR PRODUCTION OF NEUTRON WEAPONS (65% Con)

The majority of writers who oppose deployment of the arms claim that cancellation would be a boost toward a new SALT agreement and a "courageous step toward world peace."

Backers (35%) of the weapons argue that production is vital to the maintenance of a military balance with the Soviet Union.

(2) SUPPORT FOR SUPPLY OF PARAQUAT TO MEXICO (92% Con)

Expressing fear for the health of marijuana smokers, writers are urging the President to cut off the herbicide supply. The spray does not kill the plant immediately and thus allows the harvester to sell a contaminated crop.

(3) SUPPORT FOR PRESIDENT'S FARM AID PROPOSALS (69% Con)

Farmers continue to call for 100% parity or for the flexible parity plan adopted by the Senate.

THE WHITE HOUSE
WASHINGTON

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*
SUBJECT: FEC NOMINATIONS

You asked if Frank had approved sending up the nomination of McGarry and Zagoria for FEC.

We have been holding this pending Frank's ok. On Monday, April 3, Bob Thompson of Frank's staff requested that we send the nominations up. The Vice President's office (Dick Moe) concurred. The general feeling of Frank and his people is that since the decision is to go forward with McGarry and Zagoria, and since all clearances have been completed, delay gains nothing. They feel we should be frank with Senator Baker about what we are doing, and as soon as you have signed the nominations, Frank's office will advise the Senator and others on the Hill.

54131

Has
Frank
approved?
J

THE WHITE HOUSE
WASHINGTON

April 4, 1978

MEMORANDUM FOR: THE PRESIDENT
THROUGH: HAMILTON JORDAN *H.J.*
FROM: JAMES F. GAMMILL, JR. *JFG*
SUBJECT: Presidential Appointments

Attached for your signature is the nomination document for the following-named persons to be Members of the Federal Election Commission for terms expiring April 30, 1983:

John Warren McGarry, of Massachusetts,
vice Neil Staebler, term expired.

Samuel D. Zagoria, of Maryland, vice
William L. Springer, term expired.

All necessary checks have been completed.

Messrs. McGarry and Zagoria were nominated during the last session of the Senate but were not confirmed before adjournment.

THE WHITE HOUSE
WASHINGTON

April 7, 1978

The Vice President
Frank Moore

The attached was returned in the
President's outbox today and is
forwarded to you for appropriate
handling.

Rick Hutcheson

CALL TO CONG. CORMAN - NHI

THE WHITE HOUSE
WASHINGTON

CONGRESSIONAL TELEPHONE CALL

Frank - Fritz
will do
J

TO: Congressman James Corman (D-Calif.)

DATE: Friday, April 7

RECOMMENDED BY: Frank Moore *F.M./BR*

PURPOSE: To discuss national health insurance

BACKGROUND: Congressman Corman has been a leader on this issue (the Kennedy-Corman bill). Corman feels excluded from the recent discussions you have had with Sen. Kennedy and others about this subject.

TOPICS OF DISCUSSION:

1. You should brief Cong. Corman about what happened in your meeting yesterday.
2. You should tell him that the Domestic Policy staff will be beginning a presidential review memorandum on this subject, and that he will be consulted extensively during this process.
3. You should tell him that you will ask Secretary Califano to discuss this matter with him.

Date of Submission April 7, 1978

THE WHITE HOUSE

WASHINGTON

MEETING WITH SENATOR GAYLORD NELSON

Friday, April 7, 1978
2:30 p.m. (15 minutes)
Oval Office

From: Frank Moore *f.m./pd*

I. PURPOSE

To discuss social security legislation.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: Senator Nelson serves on the Committee on Finance and the Committee on Human Resources. His wife's name is Carrie Lee.

Senator Nelson has asked for this meeting to attempt to change the Administration's position on a social security tax cut this year. He believes that such action is inevitable this year and that it is imperative that the Administration help to shape a responsible form of a tax cut.

The Senator is the sponsor of two plans. One, co-sponsored by Congressman Mikva, envisions a radical change in the funding of the Disability Insurance and Health Insurance programs by funding them with general revenues. This approach would cost \$35 billion in FY 1979 and would eliminate any income tax cut this year.

His second plan is the one he is actively supporting. This envisions declaring a three year moratorium on the rate and base increases in the 1977 law. This would be funded by contributing \$36.5 billion over the three year period (\$6.5 billion in FY 1979) to the HI trust fund and diverting an equal amount of HI tax revenues to the OASDI trust fund. He would pay for this through a reduction in the income tax reductions, although he does not specify what part of the income tax reform would be changed.

Senator Nelson seems genuinely interested in reaching an accommodation with the Administration on this issue. He was our primary supporter last year in the Senate on social security. He believes that the moratorium approach is a way to respond to the political sentiment without repealing the 1977 law. If Congress does not pass a comprehensive reform within the three year period the 1977 law would go into effect in 1982.

- B. Participants: The President
 Senator Gaylord Nelson (D-Wis.)
 Frank Moore
 Stu Eizenstat
 Dan Tate

- C. Press Plan: White House Photo.

III. TALKING POINTS

We do not believe the Senator expects a commitment from you at this meeting. You might wish to make the following points:

- A. We appreciate the support he has given us on social security and understand that he is trying to devise a payroll tax plan which would not again place the trust funds in jeopardy.
- B. We are concerned that changes in the income tax proposal will imbalace the tax cuts or could lead to an increase in the deficit. For most people the income tax reductions will be more beneficial than payroll tax cuts.
- C. We are concerned that Congress will be unable to agree on who should benefit from the payroll tax cuts -- the average worker who earns less than \$11,000 or the upper middle-class who earn over \$25,000. This could lead to bitter disagreements or log-rolling which could leave the trust funds in jeopardy.
- D. A quick-fix payroll tax cut this year may not solve the political problem because it would not deal with the big tax increases in the 1980's and the press is likely to say that Congress is attempting to pull the wool over the eyes of the voters.
- E. We would prefer to see if there is any possibility of forestalling action this year. We will want to consult closely with Senator Nelson during the next few weeks on whether Congressional action is truly inevitable and how best to respond.

Should you decide to send the letter to Congress which have been prepared you may want to alert Senator Nelson to that fact so he will not be surprised later.

Revised
1 PM

THE WHITE HOUSE

WASHINGTON

April 7, 1978

TO: The President

FROM: Walt Wurfel *WW*

RE: Your Q and A Session with Non-Washington Editors/News Directors, 1:00 p.m., Friday, April 7, Cabinet Room

This group will meet with you after being briefed by Bob Embry, Jerry Schecter, Bob Pastor, Henry Richardson, Bo Cutter and Hugh Carter. After meeting with you, they will be briefed by Scotty Campbell and Ambler Moss. (An agenda is attached.)

The participants come from 24 states. Twenty-three are newspaper or editorial page editors. Twelve are broadcasters. (A list of participants is attached.)

Editors from Alaska and Hawaii are attending today. This means you now have met with editors from all fifty states and Puerto Rico.

Reg Murphy of the San Francisco Examiner is in this group.

I will stop the Q&A after 25 minutes to allow for individual pictures of the editors with you, as we did at the last two briefings. Two photographers will be present to keep the picture taking to less than five minutes.

A photo pool will be in the Cabinet Room the first two minutes.

THE WHITE HOUSE

WASHINGTON

A G E N D A

April 7 Briefing
Editors and News Directors

8:30 - 8:40 a.m.	Coffee
8:40 - 9:00 a.m.	Welcome WALT WURFEL, Deputy Press Secretary PATRICIA BARIO, Associate Press Secretary
9:00 - 10:00 a.m.	ROBERT C. EMBRY, JR. Assistant Secretary Department of Housing & Urban Development
10:00 - 10:15 a.m.	Break
10:15 - 11:00 a.m.	JERRY SCHECTER, Associate Press Secretary BOB PASTOR, Staff Member HENRY RICHARDSON, Staff Member National Security Council
11:00 - 12:00 p.m.	LUNCH with W. BOWMAN CUTTER Executive Associate Director Office of Management and Budget
12:00 - 12:35 p.m.	HUGH CARTER Special Assistant to the President for Administration
12:35 - 12:45 p.m.	En Route to Cabinet Room
12:45 - 1:00 p.m.	JODY POWELL Press Secretary to the President
1:00 - 1:30 p.m.	Q and A with PRESIDENT CARTER
1:30 - 2:15 p.m.	Filing Time
2:15 - 3:15 p.m.	ALAN K. CAMPBELL Chairman U.S. Civil Service Commission
3:15 - 4:00 p.m.	AMBLER H. MOSS, JR. Deputy Assistant Secretary Department of State

APRIL 7 BRIEFING
PARTICIPANTS

ALASKA: Katherine Fanning, editor, The News, Anchorage.
Concerns: environment and energy, the Udall-Sieberling bill.

CALIFORNIA: Edwin Davis, editor, The Willows Journal.
Davis is president and publisher of an eight-newspaper chain in the Sacramento Valley.
Concern: agriculture (water policy, 160-acre limit, rice exports). Supports you.

Norman Chernis, executive editor, The Press-Enterprise Company, Riverside. Progressive, Pulitzer Prize-winning paper. Concerns: nuclear power, air pollution, tuition tax credits, B-1 bomber, water policy. Chernis is close to John Tunney.

Reg Murphy, editor, The San Francisco Examiner. (Hearst) Concerns: CETA funds in San Francisco, water policy.

Norman Hartman, KQVR-TV, Sacramento.

Stephanie Rank, news director, KHJ-TV, Los Angeles.

COLORADO: Robert Lauffer, editor, Ft. Collins Coloradoan. (Gannett) Recommended by Sen. Hart. Lauffer is conservative, supported Ford in '76. Against Panama Canal treaties. Concerns: rapid local growth, energy, agriculture.

HAWAII: A.A. (Bud) Smyser, editor of editorial page, Honolulu Star-Bulletin. Concerns: Kahoolawe Island (used by the Navy for bombing target practice; state wants to reclaim), troop "draw down" in the Pacific, emergency petroleum storage in Hawaii. Pro Panama Canal treaties.

George Chaplin, editor, Honolulu Advertiser. Chaplin was a Nieman scholar. Pro Panama treaties. Chaplin is past-president of the American Society of Newspaper Editors.

ILLINOIS: Dillon Smith, WMAQ-TV, Chicago.

INDIANA: Arthur Logsdon, editor, The Guide & West Side Messenger, Brownsburg. Concerns: management of CETA funds, disaster relief, social security and tax reform.

IOWA: John Epperheimer, editor, Ames Daily Tribune. Recommended by Cong. Tom Harkins. Concerns: education, water policy, health care, ROTC scandal at Iowa State University.

KANSAS: Fred Lee, news director, KGGF Radio, Coffeyville.

KENTUCKY: William Matthews, general manager, The Leader, Florence. Matthews is a conservative Republican and president of the Kentucky Press Association. Area is predominately blue-collar and Catholic. Concerns: transportation, ERA, CETA funding.

LOUISIANA: John Spain, news director, WBRZ-TV, Baton Rouge.

MARYLAND: Joe Sterne, editorial page editor, Baltimore Sun. Generally supportive.

MASSACHUSETTS: Lewis Cuyler, executive editor, The Transcript, North Adams. This daily is owned by Boston Globe.
Victor Lewis, acting national editor, Boston Globe.

MICHIGAN: Burke Hully, political editor, WJR Radio, Detroit.

MISSISSIPPI: Bill Seymour, managing editor, Jackson Clarion-Ledger.

MISSOURI: Marli Murphy, editor, Hopkins Journal. Weekly in conservative northwest Missouri. Concerns: farm policy, water projects, FAA funding to neighboring town. Keith Dinsmore (major Iowa supporter) recently bought this paper.
Joyce Peerman, secretary/treasurer, Cape Central Publishing Co., Jackson. This company prints 15 weekly newspapers in rural southeast Missouri. Recommended by Sen. Eagleton.

NEW JERSEY: William Carmichael, economic and public affairs editor, Plainfield Cablevision.
Elaine Bloom, feature editor, American Jewish Ledger, Newark.

NEW YORK: Ron Robitaille, news director, WROC-TV, Rochester.
Les Trautmann, editor, Staten Island Advance. (Newhouse).

OHIO: James Pidcock, general manager, WTVN Radio.
Columbus.

PENNSYLVANIA: Robert Perkins, news director, WDAS Radio,
Philadelphia.
Ellen Simon, editor, Springfield Press.
Recommended by Cong. Robert Edgar. Weekly near
Swarthmore.

SOUTH CAROLINA: H. Loretta Mouzon, WCSC-TV, Charleston.

TENNESSEE: Lloyd Armour, executive editor, Nashville
Tennessean. Fairly liberal and pro-Administration.

TEXAS: Robert Rogers, KENS-TV, San Antonio.

VIRGINIA: Gordon Dillon, editor, Virginia Observer,
Norfolk. Dillon and the paper are liberal.
Concerns: fresh water in the future, beach
erosion, air pollution.

WEST VIRGINIA: Marjorie Oakley, co-publisher, Logan News.
Weekly with an all-female board of directors.
Concern: flood protection. Oakley's husband
is a Logan County Judge. Strong Democratic
newspaper.

1:00 PM

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

April 6, 1978

TO: The President

FROM: Walt Wurfel *WW*

RE: Your Q and A Session with Non-Washington Editors/News
Directors, 1:00 p.m., Friday, April 7, Cabinet Room

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Concerns: fresh water in the future, beach
erosion, air pollution.

WEST VIRGINIA: Marjorie Oakley, co-publisher, Logan News.
Weekly with an all-female board of directors.
Concern: flood protection. Oakley's husband
is a Logan County Judge. Strong Democratic
newspaper.

THE WHITE HOUSE
WASHINGTON

April 7, 1978

Jim Gammill

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

RE: NRC APPOINTMENT

THE WHITE HOUSE
WASHINGTON

April 6, 1978

*Jim -
We need to
move on
NRC*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JAMES F. GAMMILL, JR. *JF*

SUBJECT:

Presidential Appointment

Attached for your signature are two nomination documents for Anita Miller, of New Jersey, to be a Member of the Federal Home Loan Bank Board for the following terms:

1. for the remainder of the term expiring June 30, 1978, vice Thomas R. Bomar, resigned.
2. for the term of four years expiring June 30, 1982. Reappointment.

Ms. Miller is Senior Program Officer, Division of National Affairs for the Ford Foundation in New York.

Ms. Miller was approved by you on March 22, 1978, for this appointment.

All necessary checks have been completed.

1850

THE WHITE HOUSE
WASHINGTON
April 7, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for your information.

Rick Hutcheson

MEETING WITH DINGELL

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

9:45 AM

THE WHITE HOUSE
WASHINGTON

April 6, 1978

Frank -
Excellent mtg -

J

MEETING WITH REP. JOHN D. DINGELL (D-MICH. 16)

Friday, April 7, 1978

9:45 a.m. (20 minutes)

The Oval Office

From: Frank Moore

F.M.
J.F.

I. PURPOSE

To discuss the natural gas energy conference with Rep. John Dingell.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

- A. Background: An ad hoc group of the natural gas energy conferees has been meeting for the last three days and making progress toward reaching agreement on the last section of the non-tax portion of the energy bill. Not only was Rep. Dingell helpful in the compromises reached, but he displayed leadership in working out some of the problems.

Unfortunately, yesterday erupted in conflict between Rep. Dingell and Sen. Domenici over the incremental pricing aspects of the bill. The meeting closed with Rep. Dingell upset and feeling that the Senate conferees, in his opinion, were not being reasonable after he had come a long way toward deregulation of natural gas. He stated that he now "will not give another nickel on incremental pricing."

We must keep in mind that a great deal of Rep. Dingell's emotionalism is based on the fact that he feels that he fought our fight in passing the House energy bill and we have deserted him and the original fight.

Rep. Dingell also serves as a member of the Interstate and Foreign Commerce Committee (3), the Merchant Marine and Fisheries Committee (3), and the Small Business Committee (3). He is the chairman of the Energy and Power Subcommittee (Interstate and Foreign Commerce).

Percentage of support in 1977 -- 71%.

- B. Participants: The President, Rep. John Dingell, Secretary James Schlesinger, Frank Moore, and Jim Free.
- C. Press Plan: White House photographer.

III. TALKING POINTS

1. I want you to know how much I appreciate the fact that it was the House which quickly and successfully fought for the National Energy Plan -- in large part thanks to your leadership.
2. As we move toward the conclusion of this struggle, I want you to know that I also sympathize with your frustrations over the length of time and the course of the process in the Senate -- a process which has now produced an unusual and, I am afraid, fragile coalition.
3. Notwithstanding all the aggravation, it strikes me that substantial progress is being made because of the extra effort you and the other Democratic conferees are making.
4. The revenue gap between the House- and Senate-passed bills is \$70 BILLION. The difference between the two proposals recently put before the conference is about \$5 BILLION, and I know your sometimes acrimonious and frustrating discussions over the last several days have further narrowed that gap.
5. John, given what is at stake for the nation, the dollar, and possibly the world, and given how far everyone has come and how hard everyone has worked, we just cannot allow this bill to be lost.

6. I know how difficult it has been for you to make the concessions you already have, but I think the realities of the situation underscore that you have done the right thing.
 - o With no bill,
 - shrinking volumes of high-priced, deregulated emergency gas will continue to provide the only new gas sales to the interstate market,
 - sorely needed gas will back up in the intrastate market, and
 - uncertainty for producers and consumers alike will continue.
 - o But perhaps worst of all, we may well end up with something much less desirable than anything now being discussed.
 - The Senate has consistently voted for deregulation.
 - I think even you would admit that it may well be impossible to pull yet another miracle sometime in the next year or two and beat back a modified deregulation bill on the floor of the House.
7. We must bring order to the chaotic natural gas markets before we lose the chance to do it with the kind of protections that are in the proposals you are now discussing.
8. We must seize the opportunity to get sorely needed gas flowing in the interstate market at an overall cost -- as your own figures show -- no greater than the status quo.
9. I know that you feel very strongly about the incremental pricing and reimposition mechanisms which were discussed at great length this week.

Both sides are very close --

- o Out of \$160 BILLION in total gas revenues between now and 1985, the remaining differences could not account for much more than a fraction of 1 percent of that total.

- o With the foundation laid for the principle of incrementally pricing the vast majority of new gas, the question of how one particular category of gas is priced may not be as pressing.
10. I have no specific recommendation to make today. But, I would like to say that for the bill to fail because of this kind of deadlock would be out of proportion to the national and international issues which are at stake.
 11. In the heat of the battle, I know it is difficult. But having come this far, I want to ask you to try and keep the potential benefits of this bill in perspective as you try to decide what would be best for the country. When you do, as you have done in the past, I know the result will be the right one.

TALKING POINTS

After the President makes his points about doing what is best for the Nation to Congressman Dingell, the Congressman is likely to respond by stating that:

-- Mr. President, I appreciate what you have said, but having reluctantly agreed to a bill that provides for decontrol at some point in the future, if a strong incremental pricing provision to protect the Nation's consumers is not in place and natural gas prices are skyrocketing at the time of decontrol, I simply will not have done my job if a bill that could allow this to happen becomes law.

The President might then want to respond:

-- Now, John, you and I both know that if at the time of decontrol natural gas prices are skyrocketing, there is not a President or a Congress that could, as a practical political matter, allow controls to expire.

-- The fact of the matter is that the best proof of that is your own oil pricing legacy which, even though there was a Republican President who openly sympathized with the oil companies and a far more hostile Congress, you were still able to pass the Energy Policy and Conservation Act. That is the basic oil pricing framework from which we are working today. If you could pass that bill under those circumstances, there is no doubt in my mind that decontrol

of gas would never occur under the circumstances you have suggested.

-- Just as it was at the time when you led the fight for the Energy Policy and Conservation Act, I think the current situation comes down to a question of providing the kind of national leadership that is needed. If you and I were going to sit down and write a gas bill, it would certainly not look like what is now before the Conference. But we both have responsibilities as national leaders to do what is best for the Nation given the practical realities of what is possible. I know if we do that, we can resolve the small differences that remain on this difficult issue and, in the process, break the 25-year deadlock on natural gas with some truly landmark legislation.



THE PRESIDENT HAS SEEN.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

APR 7 1978

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MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *Hamilton Wallford for JTM*

SUBJECT: Federal Employee Union Views on the Possible
Pay Raise Limitation

As you requested, we have met with the Pay Council, comprised of representatives of the Federal employee unions, to exchange views and consult regarding the appropriateness of a Federal pay raise limitation as part of an anti-inflation program. Barry Bosworth set forth the economic arguments in favor of such a move.

The union leaders argued strongly that since Federal pay follows--rather than leads--the private sector, and since this fall's pay raise will merely bring Federal workers up to where their private sector counterparts were a year ago, it would be unfair to interfere with the operation of the comparability principle. They also argued that in both previous administrations this tactic has been attempted, and there had been no visible impact on the rate of inflation.

The written views of the Pay Council are attached for your consideration.

The Federal pay raise limit is clearly a most important issue for the employee unions. It may well trigger their walkout from the Pay Council and will have a significant impact on the prospect of enacting civil service reform during this session.

The AFL-CIO will have great difficulty in supporting the Administration on civil service reform while fighting a proposed pay raise limit. Without AFL-CIO support, the chance of moving the legislation out of the House Committee on Post Office and Civil Service will be greatly reduced.

Should civil service reform not be enacted during this session, we will of course need to devote significant time and attention to moving it in the next Congress.

As a result, it would be difficult to meet our schedule of reorganization initiatives in 1979. This is especially so since the civil service effort would involve the sustained attention of the Senate Governmental Affairs Committee and a number of key Members in both Houses, whose active support will also be necessary for our other reorganization efforts.

Attachment

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Secretary of Labor, *Ray Marshall*

SUBJECT: Federal Employees Pay Council Response

Attached for your information is the Response of the Federal Employees Pay Council to: Proposals for Imposing a "Pay Cap" on the 1978 General Schedule Salary Increase.

FEDERAL EMPLOYEES PAY COUNCIL

(Established Under Public Law No. 91-656)

Mr. Kenneth T. Blaylock, American Federation of Government Employees
Mr. Vincent L. Connery, National Treasury Employees Union
Mr. Richard M. Galleher, AFL-CIO - Public Employee Department, Chm.
Mr. Joseph D. Gleason, American Federation of Government Employees
Mr. James M. Peirce, National Federation of Federal Employees

RESPONSE OF THE FEDERAL
EMPLOYEES PAY COUNCIL TO:
PROPOSALS FOR IMPOSING A
"PAY CAP" ON THE 1978 GENERAL
SCHEDULE SALARY INCREASE

APRIL 5, 1978

FEDERAL EMPLOYEES PAY COUNCIL

The Federal Employees Pay Council strongly opposes any attempt by the President to impose an artificial limit on Federal wages in 1978 without a similar mandatory requirement of the private sector.

By considering denying Federal employees the proper comparability catchup increase through the use of a 5 to 5.5 percent "pay cap," the President seems to be placing his faith in a policy that has consistently failed to curb inflation. Any voluntary program that seeks to decelerate inflation solely by mandatorily cutting Federal pay is shortsighted and naive.

Recent history shows that limiting Federal pay in the hope that private sector wages and prices will follow suit is irresponsible. Two previous Administrations learned from bitter experience that flag-waving and jawboning are useless weapons in the battle against inflation. For example, during the period from 1971 - 1974, prices doubled then redoubled, while wages remained under controls. The Administration has not installed a program designed to strike at the real causes of this problem, such as food prices, energy costs, interest rates, and increasing imbalance of foreign trade.

The position of the Federal Employees Pay Council has always been that full comparability with the private sector

April 5, 1978

should be the guiding principle behind Federal pay. The law requires this; equity demands it; and the President has stated his commitment to it. We believe that the system provided by law should be allowed to function as intended, free of external political pressure.

Yet this has rarely been the case. As a result of past limitations, most notably in 1975 and 1976, Federal pay has fallen hopelessly behind the private sector in terms of purchasing power and ability to cope with inflation.

The evidence of this is everywhere. From October 1972 to February 1978, inflation, as measured by the Consumer Price Index, rose 48.8 percent. For that same period, the Bureau of Labor Statistics survey figures showed that private sector pay for those employees performing work similar to those in the Federal sector increased by 39.8 percent. The actual increase received by Federal white-collar workers over the same period was only 30.3 percent, a full 18.5 percent behind inflation as measured by the Consumer Price Index.

At the same time, manipulated limitations on Federal white-collar pay, compounded by rapid inflation, have resulted in enormous losses in real earnings for these employees. For example, the constant dollar earnings of a worker in GS-5, the most heavily populated grade in the General Schedule, declined from \$6886 in October 1972 to \$5938 in October 1977, and further fell to only \$5815 in February 1978. This represents a loss in buying power of over

\$1000 suffered by these employees. (Similar losses were suffered at all GS levels. See Attachments for grades 5, 10, and 15.) To add to this burden, recent figures released by the Commerce Department show that government employees had the lowest rise in personal income over the past year of all American workers.

Viewed in this light, the Administration's suggestion that Federal employees sacrifice allegedly "only 1 to 1.5 percent" of their anticipated increase is especially misleading and reprehensible. In fact, a proper comparability increase this year could not be less than 8.5 percent. Should the pay cap be imposed, Federal workers will fall at least another 3 to 3.5 percent behind comparability.

Federal white-collar salaries lag behind rates paid in the private sector, due to the comparability process by 6 to 18 months. Any private sector movement is automatically reflected in federal rates and lags that movement for at least a year. Therefore, the simultaneous imposition of salary restraints on both federal and private employees at the same point in time would be both unfair and inequitable. To do so would result in lower salaries for federal workers for a year longer than their private sector counterparts, a loss they would never be able to recoup.

If the voluntary restraint program is successful, no action is required to restrain federal increases, as through the normal operations of the system, federal rates would automatically follow private sector movement and reflect the

effects of any restraint for the same length of time.

Considering that Federal employees have already suffered massive losses in the past, we say to you that Federal workers should not forego even one penny of their upcoming increase for the sake of a policy which even the Administration admits is a risk. Events have taken place already which discredit the Administration's shaky plan. For example, coal miners have recently negotiated a 12 percent increase in wages, and the nation's steel producers have announced their second price increase of this year. These developments, coming in industries that have a ripple effect across the entire economy, underscore the futility of hoping that a Federal pay cap will be anything more than a meaningless symbol in the fight against inflation.

In addition, the imposition of another pay cap is particularly inequitable considering that, unlike their private sector counterparts, Federal employees cannot bargain on wages and fringe benefits, cannot withhold their labor in the event of a dispute, and do not have the adequate means to defend themselves against the arbitrary and capricious actions of the Administration. While any wage limitation on the private sector will be the result of full collective bargaining, a cap on Federal pay would be unilaterally dictated.

As the Administration is aware, the Advisory Committee on Federal Pay has also repeatedly decried any effort on the part of the President to set aside the Federal Pay Comparability Act

provisions by resort to an alternate plan. The Advisory Committee noted that under these alternate plans, "the legislative intent has been frustrated, and, indeed, the comparability system is in danger of collapse."

In summary, the Federal Employees Pay Council stands firmly against the imposition of any artificial limit on the October 1978 adjustment. The Administration's plan to offer Federal pay merely as a symbolic sacrificial victim on the altar of inflation is reprehensible and naive, and we call on the President to live up to both the letter and spirit of the law by allowing the comparability process to function freely in 1978.

ATTACHMENTS

- 1 - Percentage Increase in Earnings
- 2 - Eroding Standard of Living Suffered by Federal White-Collar Workers
- 3 - Comparison of the Movements of Federal White-Collar Pay with the Bureau of Labor Statistics Comparability Survey 1971 - 1977
- 4 - Major Inflation Components

PERCENTAGE INCREASE IN EARNINGS
OCTOBER 1972 - FEBRUARY 1978
FOR FEDERAL WHITE-COLLAR WORKERS
COMPARED TO PRIVATE SECTOR WAGE MOVEMENTS AND INFLATION

	<u>Average Minimum Earnings</u>	<u>Average Maximum Earnings</u>
GS-1	29.6%	29.6%
GS-5	29.4%	29.4%
GS-15	34.5%	34.5%

AVERAGE CHANGE GENERAL SCHEDULE	30.3%

BUREAU OF LABOR STATISTICS COMPARABILITY SURVEY	39.8%

INFLATION AS MEASURED BY THE CONSUMER PRICE INDEX	48.8%

OTHER PRIVATE SECTOR WAGE MOVEMENTS

Average Hourly Earnings for production and nonsupervisory workers in the private nonfarm economy, s.a. 46.8%

Average Hourly Earnings for production and nonsupervisory workers in the private nonfarm economy adjusted for inter-industry shifts and overtime in manufacturing, s.a. 48.5%

Effective Wage Adjustment (1)
Major Collective Bargaining covering 1,000 or more workers in the private economy 50.6%

(1) This figure includes first year wage increases, deferred wage adjustments and cost-of-living payments. The time period varies slightly from October 1972 - February 1978, covering the calendar years 1973 through 1977 for which BLS reported increases of 7.0%, 9.4%, 8.7%, 8.1%, and 7.8%, respectively, plus one quarter of the movement for 1972 amounting to 1.6% (BLS did not publish quarterly, 1972. No figures are available for January and February of 1978. The total percentage change was derived by compounding the figures.

FEDERAL EMPLOYEES PAY COUNCIL

ERODING STANDARD OF LIVING SUFFERED BY FEDERAL WHITE-COLLAR WORKERS

The Federal white-collar workers' standard of living has dropped even more rapidly than their buying power. The Bureau of Labor Statistics urban family budgets identify three different standards of living for a hypothetical urban family of four. As you know, the lower-level budget was used by Congress to define the "working poor" exempted from wage controls in the latter years of the so-called wage and price controls.

The attached table shows a GS-5 Step 1 worker in October of 1972 earned \$7,694, which was \$308 more than the BLS lower level budget for an urban family of four. By October of 1977, the GS-5 Step 1 earnings level of \$9,959 was \$551 short of the BLS lower level budget. Current estimates for February, 1978, show that the pay level of \$9,959 has further eroded to \$831 below the "working poor" standard of living threshold.

March 29, 1978

FEDERAL EMPLOYEES PAY COUNCIL

ERODING STANDARD OF LIVING SUFFERED BY FEDERAL WHITE-COLLAR WORKERS

	<u>GS-5 Step 1</u>	<u>Low Level¹ Budget</u>	<u>Salary as % of Budget Level</u>	<u>Excess or Deficit</u>
10/72	\$7,694	\$7,386	104.2%	\$ +308
10/73	\$8,055	\$8,181	98.5%	\$ -126
10/74	\$8,500	\$9,198	92.4%	\$ -698
10/75	\$8,925	\$9,558	93.4%	\$ -633
10/76	\$9,303	\$10,041	92.7%	\$ -738
10/77	\$9,959	\$10,510*	94.8%	\$ -551
2/78	\$9,959	\$10,790*	92.3%	\$- 831

¹Lower level budget figures taken from BLS publication for the lower level budget for an urban family of four -- 1972-1976.

*Figures for October 1977 and February 1978 were updated by the AFL-CIO Research Department.

FEDERAL EMPLOYEES PAY COUNCIL

ERODING STANDARD OF LIVING SUFFERED BY FEDERAL WHITE-COLLAR WORKERS

	GS-9 <u>Step 1</u>	Intermediate Level ¹ Budget	Salary as % of <u>Budget Level</u>	Excess or <u>Deficit</u>
10/72	11,614	\$11,446	101.5%	+\$ 168
10/73	12,167	\$12,626	96.4%	-\$ 459
10/74	12,841	\$14,333	89.6%	-\$1,492
10/75	13,482	\$15,318	88.0%	-\$1,836
10/76	14,097	\$16,236	86.8%	-\$2,139
10/77	15,090	\$17,247*	87.5%	-\$2,157
2/78	15,090	\$17,753*	85.0%	-\$2,263

¹Intermediate level budget figures taken from BLS publication for the intermediate level budget for an urban family of four -- 1972-1976.

*Figures for October 1977 and February 1978 were updated by the AFL-CIO Research Department.

April 3, 1978

FEDERAL EMPLOYEES PAY COUNCIL

ERODING STANDARD OF LIVING SUFFERED BY

FEDERAL WHITE-COLLAR WORKERS

GS-12

	<u>GS-12 Step 1</u>	<u>Higher Level¹ Budget</u>	<u>Salary as % of Budget Level</u>	<u>Excess or Deficit</u>
10/72	16,682	\$16,558	100.7%	+\$ 124
10/73	17,497	\$18,201	96.1%	-\$ 704
10/74	18,463	\$20,777	88.9%	-\$2,314
10/75	19,386	\$22,294	87.0%	-\$2,908
10/76	20,442	\$23,759	86.0%	-\$3,317
10/77	21,883	\$25,349*	86.3%	-\$3,466
2/78	21,883	\$26,054*	84.0%	-\$4,171

¹Higher level budget figures taken from BLS publication from the higher level budget for an urban family of four -- 1972-1976.

Figures for October 1977 and February 1978 were updated by the AFL-CIO Research Department.

April 3, 1978

FEDERAL EMPLOYEES PAY COUNCIL

COMPARISON OF THE MOVEMENTS OF FEDERAL WHITE-COLLAR PAY WITH THE BUREAU OF LABOR STATISTICS COMPARABILITY SURVEY 1971 - 1977

At the first Pay Council meeting held under the Carter Administration, the Pay Agent staff, at the request of the Federal Employees Pay Council, presented the past relationship between the movement of the PATC survey as announced by the BLS, the final pay increase granted Federal white-collar workers, and the adjustment proposed by the Pay Agent.

This information is listed in the attached Table.

Taking the level of the PATC survey prior to June of 1971 and the GS pay rates prior to June of 1971 and constructing an index with these two figures shows the magnitude of the divergence between the increases granted Federal workers' counterparts in private industry and the increases obtained by Federal white-collar workers. The index constructed from the PATC survey as announced by the BLS reached 155.6 by March of 1977. However, the index constructed from GS white-collar pay raises over the same period of time reached only 143.8. Therefore, pay adjustments increased by only 43.8 percent, while the BLS PATC survey advanced 55.6 percent. This represents almost a one-fourth diminution in Federal white-collar adjustments in percentage terms during this six-year period of time.

FEDERAL EMPLOYEES PAY COUNCIL

COMPARISON OF THE MOVEMENTS OF FEDERAL WHITE-COLLAR PAY WITH THE BUREAU OF LABOR STATISTICS COMPARABILITY SURVEY 1971 - 1977

	<u>PATC Survey As Per BLS Announcement</u>	<u>Index Series of PATC Increases</u>	<u>GS Increase Proposed By Agent</u>	<u>Actual GS Increase</u>	<u>Index Series o GS Pay Increase</u>
June 1971	6.6%	106.6	6.6%	5.5%	105.5
March 1972	4.4%	111.3	5.1%	5.1%	110.8
March 1973	5.4%	117.3	4.8%	4.8%	116.2
March 1974	6.4%	124.8	5.5%	5.5%	122.0
March 1975	9.0%	136.0	8.7%	5.0%	128.1
March 1976	7.0%	145.6	4.8%	4.8%	134.3
March 1977	6.9%	155.6	7.1%	7.1%	143.8

March 29, 1978

FEDERAL EMPLOYEES PAY COUNCIL

MAJOR INFLATION COMPONENTS - YEAR ENDING DECEMBER (IN PERCENTAGES)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>12 mos. Ending Februar 1978</u>
<u>I - Consumer Price Index</u>	3.4	8.8	12.2	7.0	4.8	6.8	6.4
Food	4.7	20.1	12.2	6.5	0.6	8.0	7.5
Housing	3.5	7.2	13.7	7.7	5.5	7.8	7.5
Private Transportation	2.2	4.8	14.4	9.6	9.3	4.3	3.5
Public Transportation	3.4	1.4	3.8	11.9	4.6	4.3	4.4
Medical Care	3.3	5.2	12.4	9.9	10.1	8.8	8.9
Composite Energy	2.8	16.8	21.6	11.6	6.9	7.2	5.7
<u>Energy Components</u>							
Auto Gasoline	2.7	19.7	20.6	11.0	2.6	4.9	3.3
Fuel Oil & Coal	1.1	44.7	32.4	8.7	6.4	10.4	N/A
Fuel Oil #2	0.5	46.8	30.3	9.4	6.6	10.5	6.6
Fuel & Utilities	3.7	11.4	16.6	11.2	9.0	8.1	N/A
Natural Gas	3.8	6.4	17.1	20.2	17.9	12.3	9.9
Electric	3.6	7.3	22.1	8.8	6.4	4.6	6.7

* Inflation rates for 12 months ending February, 1978, are calculated using CPI-W revised.

WASHINGTON

DATE: 07 APR 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

JODY POWELL

JACK WATSON

CHARLIE SCHULTZE

SUBJECT: MCINTYRE MEMO RE FEDERAL EMPLOYEE UNION VIEWS ON THE
POSSIBLE PAY RAISE LIMITATION

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

7 April 1978

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MEMORANDUM FOR THE PRESIDENT

FROM: RICK HUTCHESON *R.H.*
SUBJECT: Status of Presidential Requests

EIZENSTAT:

1. (3/22) (and Bourne) Set up another 30 minute meeting with the President and Califano regarding NHI and health matters -- Done (4/6). *done*
2. (3/22) Prepare a letter from the President to key congressional leaders regarding social security using simple data from your memo. Then Blumenthal, Califano and you can meet with them -- Done. *done*

MCINTYRE:

1. (1/9) (and Eizenstat, Marshall, Kreps and Blumenthal) Give the President a decision memo on the National Center for Productivity and Quality of Working Life -- Done. *done*
2. (3/22) Do you have any strong objection about the letter from Leonard Foote (Georgia Department of Natural Resources) concerning H.R. 10915 Non-Game Fish and Wildlife Program? -- Done. *done*

VICE PRESIDENT:

1. (3/27) (and Vance, H. Brown, Jordan and Moore) The most important effort to be made during the next few days is to insure the passage of the Panama Canal Treaty. Work hard on this and coordinate your efforts; the Vice President will lead -- Ongoing. *done*

MOORE:

1. (4/4) The "perceptions" of the Congress (or your staff) seem to be 100% negative. Is the morale this low? -- Done (in conversation between the President and Frank). *done*

BRZEZINSKI:

1. (4/5) Clear McIntyre's 5-year Shipbuilding Plan with Secretary Brown. Also, explain the paragraph concerning "...Army and Air Force and the highest priority..." -- In Progress, (expected 4/10).

BLUMENTHAL:

1. (3/24) The President agrees; what can we do about the suggestion from the revenue officer concerning savings to the government by changing the policy dealing with self-employed taxpayers and social security? -- Done.

done

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	<input type="checkbox"/>	MOORE
<input type="checkbox"/>	<input type="checkbox"/>	POWELL
<input type="checkbox"/>	<input type="checkbox"/>	WATSON
<input type="checkbox"/>	<input type="checkbox"/>	McINTYRE
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input checked="" type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input checked="" type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	GAMMILL

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE WHITE HOUSE
WASHINGTON

please send me cc

thanks -- ssc

THE PRESIDENT HAS READ

THE WHITE HOUSE

WASHINGTON

April 7, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
LYNN DAFT *LD*

SUBJECT: The Foley Farm Proposal

Evaluation of the Foley Proposal

The Foley Bill would adjust the target prices and loan rates for the 1978 crop from current levels as follows:

Crop	Target Prices		Loan Rates	
	Current	Foley Bill	Current	Foley Bill
Corn	\$2.10	\$2.40	\$2.00	\$2.10
Wheat	\$3.05	\$3.50	\$2.25	\$2.50
Cotton	\$.52	\$.60	\$.44	\$.48

It is anticipated that these changes could not be implemented soon enough to have much effect on spring plantings and, therefore, on production. The increased deficiency payment potential --from 10¢ to 30¢ per bushel for corn, from 80¢ to \$1.00 per bushel for wheat -- improves the attractiveness of participation in the set-aside programs for these crops, particularly corn. Since production is not likely to be materially affected and since season average prices are expected to be well above the proposed loan rates, the Foley Bill should have little effect on retail food prices.

The major shortcomings of the bill are as follows:

- ** It would add \$.75 B. to \$2.50 B. to budget cost, depending on the effects of weather -- most likely \$1.9 B. over the Administration's initiative. Most of this would be in the form of deficiency payments and would occur in FY 1979.
- ** Most of these benefits would go to larger, higher income producers. An estimated 40 percent of the benefits would go to 5 percent of the total number of producers of these commodities.

- ** For many producers, the higher level of price support would be a guaranteed profit. We estimate that about 65 percent of all wheat will be produced at a cost of less than \$3.50 ... the level guaranteed by this bill. A comparable share of corn will be produced at a cost of less than \$2.40 per bushel, the level guaranteed by the bill.
- ** Increasing the loan rate would essentially preempt the U.S. strategy for negotiating an international wheat agreement. It would signal to the other participants that the U.S. stands ready to support world prices and that an agreement involving a more equitable sharing of costs is unnecessary.
- ** It is unrealistic to expect that these prices will be raised for one year only ... and then lowered. Politically, that won't be possible.
- ** By increasing the target price, we are in effect increasing the rate of return that is guaranteed to farm land. This increased level of income support will eventually become capitalized in higher land prices. Though current owners of land will profit, renters and future purchasers will have to bear the inflated cost.

Recommendation

Your advisors have met and discussed the situation and unanimously recommend the following course of action:

- (1) That you call Congressman Jim Wright and clarify the Administration's position regarding the Foley proposal. Talking points are attached. Congressman Wright has interpreted your reaction of yesterday to mean that the Administration is willing to negotiate further over farm legislation. We believe this false impression should be promptly corrected.
- (2) That Secretary Bergland call Tom Foley and tell him that the Congressman's proposal is unacceptable and would be vetoed. He would indicate that the only legislative change acceptable to the Administration is an increase in the target price of wheat to \$3.40 per bushel ... nothing more. He would further suggest that this change be attached to other pending legislation so that it might be acted on promptly.

- (3) Beyond this, we would wage an all-out attack on the Conference Committee bill, first in the Senate and then in the House.

These recommendations are concurred in by the Vice President, Secretary Bergland, Charlie Schultze and Frank Moore.

TALKING POINTS

- ** We have the best farm legislation we've ever had. If we will give it a chance, it will work and work well.
- ** Using the authorities granted by this legislation, we have taken a number of actions. The actions announced last week -- a paid diversion program and an expanded grain reserve, among others -- will boost 1978 crop returns by \$3-4 billion if farmers take full advantage of them.
- ** These and other actions are already having an effect on market prices, e.g.
- wheat at Kansas City has gone from \$2.30 last June to \$3.20 now
 - corn at Chicago has gone from a low of \$1.80 last fall to \$2.43 now.
 - cotton at Memphis from 48¢ at the beginning of the year to 56¢ now.
 - soybeans at Chicago from \$5.50 in October to near \$7.00 now
 - choice steers at Omaha from \$37 last spring to over \$50 now
 - hogs from \$36 last April to \$48 now
- ** I cannot accept either the current conference report or the Foley bill and will veto either. We would agree to up to \$3.40 per bushel as the target price for wheat but nothing more, and we would suggest that this increase be attached to other pending legislation.

NOTE: If Wright presses you on what you would accept, we would suggest that you simply reaffirm the points made above, and stress that the actions you have taken, together with an increase in target prices for wheat should be adequate.

THE WHITE HOUSE
WASHINGTON

April 7, 1978

The First Lady

The attached was returned in the President's outbox today and is forwarded to you for your information.

Rick Hutcheson

RE: PROPOSAL TO PREVENT INDIVIDUALS
FROM RECEIVING SOCIAL SECURITY
BENEFITS ...TO SELF-EMPLOYMENT
INCOME ON WHICH NO SELF-EMPLOY-
MENT TAX HAS BEEN PAID



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

April 6, 1978

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J

MEMORANDUM FOR THE PRESIDENT

Subject: Proposal to prevent individuals from receiving social security benefits that are attributable to self-employment income on which no self-employment (SECA) tax has been paid

You have asked us to consider what can be done to assure that individuals do not receive social security benefits attributable to self-employment income on which no self-employment tax has been paid.

The General Accounting Office has recently submitted a detailed legislative proposal to Chairman Ullman that would reach this result. This would be accomplished by amendment of the provisions of the Social Security Act which define the earnings base (net income from self-employment) used to compute social security benefit levels.

The GAO proposal is strongly supported by basic considerations of equity. Those who fail to contribute as required by law ought not to receive the same benefits as those who have paid their full statutory share. Current law is also inconsistent with the fundamental principle of compulsory contributions to the social security system. Finally, there is some loss of general revenues, which must be used to compensate for the fact that a larger amount is paid into the various trust funds than is raised by the payroll taxes. At present, it is only possible to speculate as to the amount of such revenue losses.

On the other hand, it is argued that the basic purpose of social security is to replace earnings lost by retirement, death, or disability. This is consistent with the fact that benefits are based on "earnings" rather than "contributions." In addition, survivor's and dependent's benefits are an important aspect of social security, and those beneficiaries most in need of protection, rather than the self-employed themselves, might well be most affected by the GAO proposal.

Although this matter lies primarily within the jurisdiction of the Department of Health, Education and Welfare, if enacted, the GAO proposal would affect the Treasury. This is because the Internal Revenue Service provides information to the Social Security Administration on self-employment earnings that is used to compute benefit payments. Consequently, while I have requested that the Service evaluate the GAO proposal from the point of view of its new reporting requirements, Secretary Califano's Department should also have an opportunity to evaluate the proposal. I am sending him a copy of this memorandum.



W. Michael Blumenthal

cc: Secretary Califano
Commissioner Kurtz

Diplomatic Credentials
Presentation 4/7/78

THE WHITE HOUSE
WASHINGTON

Ghana. Quaison-Sackey

UN → US

Const rule

Support ME - Mr

THE WHITE HOUSE
WASHINGTON

Poland - Spasowski
1st Sect Gierch
Visit
Family Room.

THE WHITE HOUSE
WASHINGTON

Italy - Pansa

Moro

ERW

Andrea A:

THE WHITE HOUSE
WASHINGTON

N Zealand Norris

Muldoon visit

VP- NZ

ANZUS in US

N NZ imports

Span meat mkt

THE WHITE HOUSE
WASHINGTON

Bolivia - Iturralde

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Cocaine

Hum Rts 7

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

OFFICIAL BUSINESS

POSTAGE AND FEES PAID
BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM



The President
The White House
Washington, D. C. 20500

THE WHITE HOUSE
WASHINGTON

April 7, 1978

Zbig Brzezinski .

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Frank Moore
Jim McIntyre

RE: HUMPHREY SCHOLARSHIPS

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
/	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

top memo only

ACTION	FYI	
	/	MONDALE
		COSTANZA
	/	EIZENSTAT
		JORDAN
		LIPSHUTZ
	/	MOORE
		POWELL
		WATSON
	/	McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
/		BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

April 4, 1978

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: Humphrey Scholarships

There were a number of press accounts of your toast in Caracas where you mentioned the idea of Humphrey Scholarships for developing country students. Mrs. Humphrey has subsequently received several calls from the press, and she has told them that she has not yet spoken to you about it. Bob Pastor gave some general background information on the idea in answer to a request from her staff on Monday.

I recommend that you telephone Mrs. Humphrey as soon as possible to give her some background on the proposal, to solicit some of her ideas, and to suggest that she and her staff work with Bob Pastor and other officials in the Executive Branch to bring the idea to life.

Suggested Talking Points

-- In my speech in Caracas, I talked about ways the U.S. should be more responsive to the needs and concerns of the developing world--an issue which was so closely identified with your husband. One way to show our interest in the developing world while demonstrating to the American people its importance to us is by helping poor students from the LDC's come to the U.S. for their higher education.

-- Venezuela is quite proud of its Ayacucho Foundation Scholarship Program, which sends Venezuelans to study in the U.S. and elsewhere. In complimenting President Perez for the program, I thought it would be an appropriate moment to suggest a similar program which my staff has been working on: a North-South Scholarship program for bringing poor students from the developing world to the U.S. to study.

3619
Fritz will
take care of this -
He's working -
Bob Pastor & only
informing Mariel now
I want to keep
tight control until
we define program
clearly

JC

cc VP

-- While we have done a fair amount of work on the proposal, we have not, by any means, fully defined the details of the program. I wanted to speak to you first to have your thoughts, and then I thought you and your staff could get together with several people here who have been working on it.

* * *

RECOMMENDATION:

That you phone Mrs. Humphrey to provide some background on the North-South Scholarship proposal, to solicit some ideas, and to suggest that her staff follow-up with yours.

_____ APPROVE

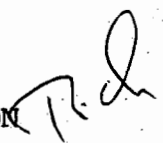
_____ DISAPPROVE

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

6 April 1978

TO: THE PRESIDENT

FROM: RICK HUTCHESON 

SUBJECT: Staff Comments on Brzezinski
Memo, "Humphrey Scholarships"

Congressional Liaison: "It is presumptuous for us to be referring to this as yet un-introduced, unpassed, idea as a Humphrey Scholarship Program. We should propose the program and subsequently suggest that it bear Humphrey's name. Al Stern is working on this directly with Senators."

OMB: "A number of issues should be clarified before discussions are opened with Congress... The relationship to current U.S. exchange programs, especially the Fulbright exchange program, will be an inevitable question asked on the Hill. The need for an expensive administrative structure separate from the Fulbright Commissions needs more consideration... These comments do not imply that OMB opposes the proposal. We do, however, think these aspects need systematic consideration prior to congressional soundings."

* * *

Mr. President, I must object to the manner in which NSC brought the North-South Scholarship proposal to your attention. Apparently, while enroute on your recent trip, Dr. Brzezinski gave you a memo (at TAB B) suggesting that you announce the "Humphrey Scholarship" idea while in Caracas.

While making reference to critical comments from State, USIA, HEW and OMB on an earlier version of the proposal (which I circulated to agencies and White House staff), the memo given to you on the plane passes rather lightly over OMB's point (above) and makes no reference to Congressional Liaison's comment, of which I informed NSC (TAB C).

There is every chance that Congress will like the idea of a scholarship named for Sen. Humphrey. The NSC memo suggested only that you approve the idea in a tentative

fashion. Nonetheless, Congressional Liaison's point is that Congress should have been consulted fully before the idea was broached publicly. It is somewhat of a congressional prerogative, I take it, to name something after a congressional colleague. Also, OMB has suggested that it is important that a Humphrey scholarship not be seen as detracting in any way from the Fulbright program.

As you know, the point of my staffing system is to make sure that you get a chance to hear from advisors other than the enthusiastic proponent of an idea before committing yourself. I don't think it was quite 'kosher' of NSC to summarize the staff comments on their own proposal, and give it to you directly, without first giving me the opportunity to circulate the revised version among persons who had commented earlier. Although it was an opportune moment to announce such a program, certainly it was not urgent that the program be floated during the trip.

In short, it was unfortunate that the normal process was circumvented in this (admittedly minor) instance. Obviously, I do not object to NSC bringing you directly matters of extreme urgency or confidentiality; in the absence of extraordinary circumstances, however, I think it is better that memos are handled in the normal way (submitted through me) to ensure thorough staff review.

A handwritten signature in dark ink, appearing to be 'R. L.' or similar, located below the main text block.

cc: Zbig

TAB B

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: North-South Scholars: A
Tribute to Senator Humphrey

Several years ago, President Perez initiated a large-scale scholarship program, called the Ayacucho Program, with the purpose of trying to educate an entire new generation of Venezuelans. My staff has been working with people from other agencies on a proposal which is very similar to Perez' program, only it would finance the scholarships of students from all the developing countries to study in the U.S. Your stop in Caracas would provide a perfect opportunity to announce the program, making the point that we have profited from Venezuela's idea.

The program is quite simple. Its purpose would be to focus the attention of the American people on the importance of the developing world -- a principal theme of your Caracas speech. The scholarship program could be named for Senator Humphrey, who was so identified with and so sympathetic to the North-South dialogue. Like the Rhodes scholarships, the Humphrey scholarship could provide education and a common experience for a new generation of leaders.

The program could be focused in one of two directions. We could select five poor but extremely talented undergraduates from all the developing countries (approximately 600 per year) and finance their undergraduate education. This program would cost about \$30 million and for that reason many of the agencies believe that the direction of the program should be towards graduate students.

Of course, we have many scholarship programs for graduate students, and one idea would be merely to designate several several graduate students who already have scholarships to the U.S., as Humphrey Scholars. The "Humphrey Scholarship" designation would be a prestigious one, and perhaps it could include a special one-month seminar each year where North-South problems could be addressed. Such a program

would be very inexpensive, but might project the same symbol that we would like to project with a more extensive and expensive undergraduate program. State, USIA, HEW, and OMB all commented on the original NSC proposal for undergraduate scholarships by saying that they thought the idea was an excellent one, but too expensive. All those agencies preferred a graduate program instead. I have re-evaluated the original NSC proposal and now concur with the other agencies that a graduate program would be more desirable.

RECOMMENDATION

That you approve the idea of a Humphrey Scholarship program which would designate selected graduate students from developing countries who already have scholarships to attend U.S. universities. This could be announced in an appropriate way in Caracas.

_____ Approve

_____ Disapprove

TAB C

THE WHITE HOUSE
WASHINGTON

2/23/78

MEMO TO BOB PASTOR

FROM: RICK HUTCHESON

Attached are the comments
on your proposal from OMB,
State, HEW and USIA.

Do you wish to rework your
proposal in light of these
suggestions?

You should also note that
our CL staff did not think
it was a good idea to name
the proposal for Hubert
Humphrey on the front end.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JAN 26 1979

MEMORANDUM FOR: MR. RICK HUTCHESON

FROM: James T. McIntyre
Acting Director

SUBJECT: North-South Scholarship Proposal

I believe this proposal requires careful consideration by the Departments of State and HEW and USIA Director John Reinhardt prior to opening discussions on the Hill. I especially recommend that John Reinhardt, the designated director of the new International Communication Agency, be given an opportunity to analyze this proposal since ICA would presumably administer it.

A number of issues should be clarified before discussions are opened with Congress.

- . The benefits and risks of providing undergraduate scholarships should be carefully assessed. The chances of identifying future leaders at the high school level are much less probable than at the graduate level. Adjustment problems tend to be greater with undergraduates, risking more counterproductive American experiences. Balanced against this, of course, may be the symbolism of scholarship for poor undergraduates.
- . Some clarification of criterion on country choice and student choice would help "flesh out" the proposal.
- . The relationship to current U.S. exchange programs, especially the Fulbright exchange program, will be an inevitable question asked on the Hill. The need for an expensive administrative structure separate from the Fulbright Commissions needs more consideration.
- . The \$25 million annual cost estimate seems somewhat low. We believe it would be closer to \$30 million at current prices.
- . U.S. Government and American universities relationships and responsibilities need some further thought.

These comments do not imply that OMB opposes the proposal. We do, however, think these aspects need systematic consideration prior to congressional soundings.

ID 781779

THE WHITE HOUSE
WASHINGTON

Tate
FM

DATE: 04 APR 78

FOR ACTION: FRANK MOORE (LES FRANCIS)

INFO ONLY: JIM MCINTYRE

SUBJECT: BRZEZINSKI MEMO RE HUMPHREY SCHOLARSHIPS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 06 APR 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

CONGRESSIONAL LIAISON:

It is presumptuous for us to be referring to this as yet
unintroduced, unpassed, idea as a Humphrey Scholarship Program.
We should propose the program and subsequently suggest that it
bear Humphrey's name.

Al Stern on the Domestic Policy Staff is working on this
directly with Senators. Suggest he continue to be the main
contact. (DT)

THE WHITE HOUSE
WASHINGTON

2/23/78

MEMO TO BOB PASTOR

FROM: RICK HUTCHESON

Attached are the comments
on your proposal from OMB,
State, HEW and USIA.

Do you wish to rework your
proposal in light of these
suggestions?

You should also note that
our CL staff did not think
it was a good idea to name
the proposal for Hubert
Humphrey on the front end.

Bill
call Pastor

exp 3/3
Thurs/Fri

To 2R (yes 3/7) AM
Wed per Pastor

3/9 => since IP
2 by SAT ??



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

WASHINGTON, D.C. 20201

OFFICE OF THE SECRETARY

February 16, 1978

NOTE FOR RICK HUTCHESON
STAFF SECRETARY, WH

Secretary Califano has authorized me to forward Commissioner of Education Ernest Boyer's note of comment on the "North-South Scholarships" proposal.

Both Commissioner Boyer and Peter Bell, Special Assistant to the Secretary for DHEW International Activities, would be pleased to assist further consideration and/or development of this proposal.

A handwritten signature in dark ink, appearing to read "Fred Bohen", is positioned above the typed name.

Fred Bohen
Executive Secretary

Attachment



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

FEB 15 1972

NOTE TO FRED BOHEN

You asked for my comments on the NSC proposal for "North-South Scholarships" (Tab A).

The idea has merit, but I don't think it's well developed as to who is eligible or to what end.

Also, the length of time bothers me. The Fulbright exchanges which provided for shorter exchanges for more advanced students conceptually holds more promise I believe.


Ernest L. Boyer



DIRECTOR

UNITED STATES INFORMATION AGENCY
WASHINGTON

February 17, 1978

MEMORANDUM FOR:

Mr. Rick Hutcheson
Staff Secretary
National Security Council

FROM:

John E. Reinhardt *jer*

SUBJECT:

NSC Proposal -- North-South
Scholarships

In the international communication field, exchange of any type, and particularly educational exchange, carries with it predictably positive initial reaction.

However, reality leads us to the conclusion that the North-South scholarship proposal as set forth contains several serious problems. For the purposes of your review, we will pass over those problems likely to be covered by the other addressees, such as emotional maturity, drop-out predictions, impact of the limitation on graduate study, etc. Our concerns are essentially two: First, in the majority of developing countries there is little or no chance that the child of a family whose income was not more than the average GNP per capita would, in fact, complete his or her secondary education. Second, in the quarter century in which the United States Government has been actively and, we think, effectively engaged with educational exchange, it has become apparent that foreign undergraduate education serves as an effective handicap to advancement to operative elite status within many societies. This has not been true with postgraduate education or non-academic exchange carried out under the International Visitors program, which has had a reverse effect. These two concerns may not represent justice, but they do describe the real world.

We strongly support the notion of doing something special and significant in the developing countries and memorializing Hubert Humphrey in a meaningful way. We suggest that you consider utilizing the existing exchange programs operated under bi-national commissions in some countries or by the American Embassy directly in others to accomplish much of this proposal. It could be done by either designating five existing scholarships each year as Hubert Humphrey Scholars or, if the funds were available, creating truly new opportunities to bear that name. Operating within the existing framework and context would avoid some of the intractable problems of income level, brain-drain, alienation from tradition, guaranteeing employment, drop-out rate, linguistic capacity, etc.



DEPARTMENT OF STATE

Washington, D.C. 20520

7803730

February 22, 1978

MEMORANDUM FOR MR. RICK HUTCHESON
THE WHITE HOUSE

Subject: Request for Comments on the NSC Proposal--
North-South Scholarships

The Department has reviewed the proposal for U.S. Government funding of scholarships to poor but talented students from developing countries to attend American universities.

The Department supports the development of a scholarship program for students from the LDCs but it has the following reservations about the proposal:

1. The scholarship program should focus on graduate rather than undergraduate students.
2. The length of the scholarship should be reduced from the proposed four to five years to a maximum of two years.
3. The scholarship program should be initiated in stages, beginning the first year with no more than 100 scholarships and built up gradually to the proposed annual level of about 500 scholarships.
4. The scholarship program should be considered on its merits without reference to the actions of the Soviet Union.

In section 5 of this paper we have outlined an alternative scholarship proposal taking into consideration the objections we have raised to the proposal under review.

CU is charged by its legislation with increasing mutual understanding between the people of the United

States and the people of other countries. Because of its mandate, CU programs are necessarily highly selective and have provided scholarships to graduate students only on the grounds that such students have demonstrated their abilities and maturity. While those who would be brought here under the proposed scheme would undoubtedly enhance mutual understanding, the principal thrust of the proposal is really to aid poor but talented students to receive a top-flight education they would not otherwise receive.

The NSC proposal appears to have some relationship to the mandate of AID to focus its economic development programs on helping the rural poor. For this reason, we have suggested to AID that it may wish to comment on the proposal.

1. Undergraduate vs. Graduate Student Scholarships

The Department has had considerable experience in the administration of scholarship programs and in its own programs has virtually eliminated the undergraduate category.

Students who have received their undergraduate education at home have already demonstrated an ability to pursue university education. The transition, both educationally and culturally, for graduate students from their home country universities to American universities will be far less traumatic than for secondary school graduates of these countries to an American university environment. The cultural wrench for persons in these tender years cannot be overstated.

Scholarships at the graduate level would permit a wider choice of education and time span; in many instances a year or two of American graduate education would meet the student's educational objectives and needs and would relate more directly to job opportunities in his own country.

The more mature student is less likely to be tempted to remain in the U.S. after his educational objective is completed, and, if his time here is relatively short, he will find his readjustment into his own society easier. While trips home during the course of his undergraduate study may help to keep him in touch with his own society, the contrast between his student life in the U.S. and

life at home will have a severe impact on the less mature student.

The majority of LDCs can provide an undergraduate education for their secondary school graduates and the USG has over the years spent more than a billion dollars to strengthen and develop these undergraduate institutions. It is in the area of post-graduate education that many of the universities in the LDCs are lacking. There is an abundance of candidates for graduate study in the United States who could not afford such education without scholarships.

Secondary educational systems in the LDCs are varied in both their organization and the quality of the education they provide. In neither aspect are these systems equivalent to ours. Secondary school graduates from LDCs will require not only extensive English language training before entering an American university, but also remedial work in other fields. University graduates, on the other hand, while requiring in many instances additional English language training, will be less deficient than secondary school graduates in terms of the admission requirements of American universities.

2. Length of Scholarship

The proposal as submitted provides for a four year undergraduate education plus additional time for English language training. In many instances this means a five year scholarship. Despite the trips home provided for in the proposal, we feel that this length of time for impressionable young students will almost insure alienation from their homeland and foster a desire to remain or return to the U.S. permanently. The instance of marriage to an American will be more likely to increase among this age group, thus precluding any attempt to force the recipient to return home.

Furthermore, undergraduate training in some fields almost presupposes that graduate education will follow immediately in order to maximize the value of the undergraduate education.

On the other hand, post-graduate scholarships can be of great value to the recipients even if limited to one or two years. There is more likely to be a direct relationship between the graduate education and the immediate opportunities on return to put that education to work.

3. Initiating a Scholarship Program in Stages

The proposal envisages setting up the administrative machinery, both here and abroad, and beginning the program with the planned five scholarships per 125 LDCs. Even though the number of countries qualifying as LDCs may be less than this planning figure, this would mean five to six hundred scholarships each year. It will be extremely risky to attempt to inaugurate a program at this level, even with a long lead time for organization. There will be serious unplanned difficulties which will be much easier to work out if the program is inaugurated on a much smaller scale. This can be accomplished best by selecting ten or fifteen countries to inaugurate the program and gradually expanding it to cover the remainder of the LDCs.

4. Justification for the Program

Any scholarship program developed for the LDCs should and can be justified on its merits. All reference to the actions and programs of the Soviet Union in this field should be eliminated as irrelevant.

5. An Alternative Scholarship Proposal

If this scholarship proposal is to be a memorial to the late Senator Humphrey, it can be focused not only on the poor but able applicant, but also on applicants for study in the fields which are most identified with the Senator's life-long work--urban development, economic planning, applied sciences, labor economics, etc.

The Department believes that a graduate rather than an undergraduate program can be most productive and that it can be tailored to meet the basic premise of this proposal, i.e., to help the poor but able student get a useful education. A brief statement of an alternative scholarship program follows.

There is no dearth of poor but proven candidates for graduate study abroad, in many instances from countries that cannot provide the graduate study desired or needed. This is particularly true if we consider those fields of work/study most closely related to Senator Humphrey's interest.

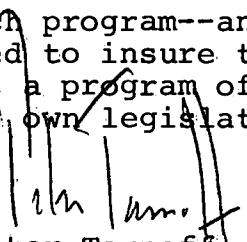
The program could offer one year of graduate study in selected fields plus whatever additional time is

required to provide English language training. The scholarship could consist of English language training, a specially organized orientation program, nine months of study at an American university carefully selected for its outstanding work in the chosen field of study, plus three months of additional relevant experience, such as individual placement in an intern program with a federal, state or local government, or private industry as appropriate to the field of study. Or these three months could be spent at a second educational institution in another community, or even additional study at the first institution. Throughout the program these students would receive all of the counseling, guidance, and consultation needed to insure a successful experience. This latter feature would differentiate this group of students from those coming under other government programs which have been unable to afford such extensive special treatment for their grantees or participants.

Those eligible for scholarship consideration could be limited to students just graduating from their universities at home in which case their graduate year in the U.S. would follow immediately upon graduation. In setting up a selection process, it is entirely possible to provide for early identification and selection by accepting applicants who are in their junior year. If their acceptance can be announced early enough it would permit them to prepare for their U.S. study by taking English language courses, or participating in pre-departure orientation, or taking different courses in their senior year.

There is also merit in selecting scholarship recipients from among university graduates who have worked a period of time, say three or five years, after graduation who are holding jobs in the field of study selected or have an opportunity to move into such jobs. Selecting recipients from among job holders will increase the chances of return, and will improve the chances that they can apply their training immediately.

In sum, we believe that the NSC proposal is eminently worth considering, but we should not underestimate the costs--it will be a very rich program--and the organization which will be required to insure that the program achieves its purposes. Thus a program of this size and significance should have its own legislative base.


Peter Tarnoff
Executive Secretary

ID 780332

T H E W H I T E H O U S E

WASHINGTON

DATE: JAN 24 78

FOR ACTION: STU EIZENSTAT *attended*

FRANK MOORE (LES FRANCIS) *W.A. Moore*

HAMILTON JORDAN

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

JACK WATSON

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT BRZEZINSKI MEMO DATED 1/24/78 RE NORTH-SOUTH SCHOLARS: A TRIBUTE TO
SEN. HUBERT HUMPHREY

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY 1200 PM THURSDAY JAN 26 78

ACTION REQUESTED: YOUR COMMENTS:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD; DO NOT FORWARD.


PLEASE NOTE OTHER COMMENTS BELOW:

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

January 24, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI 

SUBJECT: North-South Scholars: A Tribute to
Senator Hubert Humphrey

In a conversation with Bob Pastor about three months ago, General Torrijos criticized the U.S. for not seeking young and poor students from the developing world to be educated in American universities. Torrijos said that we have left this task to the Russians, and he expressed his wish that we would correct this error.

Bob said that he thought Torrijos was wrong about poor foreign students getting USG funding, but he requested a study from State's Cultural Affairs Bureau, and it turns out that Torrijos was right. The USG does not fund undergraduate education for developing country students and while many attend on their own, few of these are from the poor or middle class.

After several studies and conversations, I asked my staff to prepare a proposal on this subject for your consideration. The proposal (at Tab A) has been subjected to several inter-agency discussions, and in the course of the review, it has developed to fill much more than the void noted by Torrijos.

The proposal is to provide USG funding for five exceptional, but poor, students from every developing country. These students would be selected by a Binational Board along the lines of the Fulbright Board; or perhaps it could even use the Fulbright Board. As such, it would provide a compelling symbol in the U.S. for the importance of the developing world as we go about the global task of renovating international institutions. There is little doubt that the American people need a symbol to focus their attention and to generate interest in the plight of the poor and the developing world. This could do that while at the same time, it demonstrates our commitment at a governmental level to the North-South dialogue.

At the same time, the program could create a core of leaders in each country who know the U.S. and have shared experiences with one another--much like Rhodes Scholars.

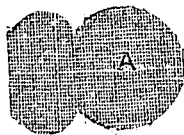
No one in the U.S. Congress was so identified with the cause of the developing world than Hubert Humphrey. He authored the Peace Corps legislation and was the strongest and most forceful floor leader in the Senate on foreign aid, collecting enough support to push it through year after year. Naming this scholarship program after him would be a lasting tribute to a man whose dedication and effectiveness in helping the poor of the world was unrivalled.

Since the proposal itself is brief, I will not repeat it here.

RECOMMENDATION:

That you approve a strategy of consultation on the Hill and drafting of appropriate legislation.

_____ Approve _____ Disapprove



North-South Scholarships:

A Proposal

Proposal: To provide USG funding for four-year scholarships for five poor but talented secondary school students from every developing country to attend an American university.

Rationale: A Gap, A Need

While over 200,000 foreign students were attending universities in the U.S. in 1976, less than half were undergraduates. The U.S. Government does not provide financial assistance for any foreign undergraduates. Financing is generally obtained from personal sources, home governments, or U.S. universities. The United States remains the most powerful educational magnet in the world, but the third world students who study here generally can do so because they are born to privileged families.

In contrast, the Soviet Union seeks out about 15,000 poor but talented students from the developing world and provides complete scholarships for their entire undergraduate education.

We do not want to imitate the Soviet program--particularly when it is not known to be very effective at promoting Soviet interests--but the idea of recruiting poor but talented secondary school students from the developing world and providing them with a full four-year scholarship at an American university is a compelling one and offers us a unique opportunity to demonstrate our wider commitment to the developing world. Perhaps, five such scholarships could be offered each year to students from every developing country.

Objectives

Those scholarships would not, of themselves, narrow the educational gap between the industrialized and the developing countries, and the last thing we would want to do is sell the program in that way. But like the Rhodes scholarships, they could provide an education and a common experience for a generation of leaders, and by so doing, provide a compelling symbol of U.S. interest in the North-South dialogue. Moreover, by the competitiveness involved in obtaining such a scholarship, student applicants will demonstrate to an American public disinterested in the third world that the LDC's still are very interested in the U.S. It would be a relatively inexpensive program--perhaps \$25 million a year after four years, and like most educational programs, it would have long-term and ample benefits--for the U.S. and for the students themselves. In addition,

-- It would provide an elite group with a deeper understanding of the U.S.

-- It could provide an opportunity for developing world leaders to understand each country's problems better. (This could be done by annual meetings which would bring all the North-South scholarship students together for a month of discussions and seminars or trips.)

-- By seeking out the poor but talented who might otherwise not be able to afford an education, the program would be demonstrating a special American concern for helping the poor and for promoting equality of opportunity.

How It Would Work

Parallel boards, like those under the Fulbright Commission, would be established in the U.S. and in the home country. These boards would be composed of well-respected private citizens. In the developing country, there would be at least one board, several for regions of large countries. This board would use standard indicators or criteria developed by the central North-South Scholarship Board in the U.S. to select enterprising students. Only students whose family's income was lower or equal to average GNP per capita would be eligible. The developing country board would have to select four students for each slot, thus 20 for each country. The U.S. board would make the final determination. The President would select the U.S. board, much like he does for the Fulbright Commission.

Candidates would apply for the scholarship and to the American universities of their choice simultaneously. Selection for the scholarship would be made by October so that the universities could be informed. The board would follow the application process closely so as to guarantee that he/she obtains a place.

The U.S.G. would then be responsible for financing the student's complete undergraduate education plus expenses and at least three round-trip tickets to his home. If the student needs language training, he would receive it at an appropriate university.

All the North-South scholarship students would be brought together for a one-month preparatory session before starting their four-year education. They would meet as a group at least once a year to maintain close contact with each other and to foster a general spirit of friendship and understanding for other developing country problems.

Preventing a "Brain Drain"

The N-S scholarship idea would fail if the students were so "Americanized" that they stayed in the U.S. after the completion of the four years. Partly because of this risk, the U.S. Government has not funded scholarships for undergraduate education before.

While one cannot devise a perfect system to guarantee a student's return home, there are still several ways to significantly reduce the likelihood of "recidivism".

-- N-S scholars will not be permitted to pursue post-graduate studies in the U.S. immediately after graduation from college. They will have to return home for a minimum of two years.

-- The U.S.G. will finance two trips back to the student's country, preferably for employment during the summer. This will permit the student to maintain his contacts in his home country.

-- The home country will cooperate with the program by assuring the N-S scholar a job upon his return and by appropriate protocolary functions (e.g., a dinner, special reward or degree, or special event) at the end of his education.

-- Upon graduation, the N-S scholars will be invited to a White House reception which will formally end their studies in the U.S. (Such a formal "sending-off" party will help to alter the incentives, making it more difficult for students to stay in the U.S.)

The Humphrey Scholar

If implemented properly, this scholarship program could become a compelling symbol of continued and long-term U.S. interest in the dialogue between the developing and the industrialized countries. And as such, it could conceivably generate more interest and support for our North-South policies. One way to make this idea take hold would be to name it for someone like Senator Humphrey, whose commitment to the developing world is probably unexcelled in the Senate. The "Humphrey Scholarships" would also be a lasting testament to the man and his spirit.

A Budgetary Note

Five students from approximately 125 countries will mean 625 students a year. If we assume that half of these will need a year's training in English, then we will need to finance 2700 students a year after the program has completed five years. If we then assume \$10,000/per year per student, then the total budgetary support will be about \$25 million/year.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

10 February 1978

TO: THE PRESIDENT
FROM: RICK HUTCHESON
SUBJECT: Staff Comments

No comment from the Vice President, Watson or Powell.

Eizenstat concurs with Brzezinski, but suggests that NSC coordinate with HEW before making any announcement of the program. HEW will soon be proposing a Presidential Commission on Foreign Language and Area Studies.

Stu also suggests that the program require students to return to their own countries, so that the program does not contribute to the 'brain drain.'

Congressional Liaison likes the idea, and thinks it will meet with enthusiasm on the Hill. In addition to those Members usually consulted on foreign policy issues, others, such as John Brademas and Frank Thompson, should be consulted if the proposal is approved.

Congressional Liaison suggests that if the program is proposed, we informally suggest that it be named for Senator Humphrey -- some of the 'key players' may have other names in mind.

THE WHITE HOUSE
WASHINGTON

/	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
	/	MONDALE
		COSTANZA
/		EIZENSTAT
/		JORDAN
		LIPSHUTZ
/		MOORE
	/	POWELL
	/	WATSON
/		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

CONGRESSIONAL LIAISON:

The concept of a U.S. Government program of "North-South scholars" is a good one and should meet with some enthusiasm on the Hill. In addition to those Members normally consulted on foreign policy issues, others should also be talked to -- for instance, John Brademas and Frank Thompson.

If we decide to initiate legislation of this kind, we should propose the program per se and later, during the hearing process, suggest naming it in honor of the late Senator Humphrey. Care should be taken in the consultative process to determine whether some of the "key players" do not have other names in mind.


Probably not appropriate for us to suggest naming after the late Senator Humphrey. This aspect must be more thoroughly checked out. We could informally suggest that Congress do it and we would support it. They may have others in mind.

THE WHITE HOUSE

WASHINGTON

February 10, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT 
SUBJECT: North-South Scholars Proposal

We concur with Zbig's recommendation but feel it should be made clear that these students will be required to return to their own countries so that we do not contribute to the "brain drain" with this program.

We also recommend that before any formal announcement or consultation, Zbig consult with Secretary Califano and the Commissioner of Education. A Presidential Commission on Foreign Language and Area Studies will be formulated shortly under the aegis of the Commissioner of Education in HEW. Zbig's innovative proposal should be coordinated with HEW and this new Commission.



DEPARTMENT OF STATE

Washington, D.C. 20520

7803730

February 22, 1978

MEMORANDUM FOR MR. RICK HUTCHESON
THE WHITE HOUSE

Subject: Request for Comments on the NSC Proposal--
North-South Scholarships

The Department has reviewed the proposal for U.S. Government funding of scholarships to poor but talented students from developing countries to attend American universities.

The Department supports the development of a scholarship program for students from the LDCs but it has the following reservations about the proposal:

1. The scholarship program should focus on graduate rather than undergraduate students.
2. The length of the scholarship should be reduced from the proposed four to five years to a maximum of two years.
3. The scholarship program should be initiated in stages, beginning the first year with no more than 100 scholarships and built up gradually to the proposed annual level of about 500 scholarships.
4. The scholarship program should be considered on its merits without reference to the actions of the Soviet Union.

In section 5 of this paper we have outlined an alternative scholarship proposal taking into consideration the objections we have raised to the proposal under review.

CU is charged by its legislation with increasing mutual understanding between the people of the United

States and the people of other countries. Because of its mandate, CU programs are necessarily highly selective and have provided scholarships to graduate students only on the grounds that such students have demonstrated their abilities and maturity. While those who would be brought here under the proposed scheme would undoubtedly enhance mutual understanding, the principal thrust of the proposal is really to aid poor but talented students to receive a top-flight education they would not otherwise receive.

The NSC proposal appears to have some relationship to the mandate of AID to focus its economic development programs on helping the rural poor. For this reason, we have suggested to AID that it may wish to comment on the proposal.

1. Undergraduate vs. Graduate Student Scholarships

The Department has had considerable experience in the administration of scholarship programs and in its own programs has virtually eliminated the undergraduate category.

Students who have received their undergraduate education at home have already demonstrated an ability to pursue university education. The transition, both educationally and culturally, for graduate students from their home country universities to American universities will be far less traumatic than for secondary school graduates of these countries to an American university environment. The cultural wrench for persons in these tender years cannot be overstated.

Scholarships at the graduate level would permit a wider choice of education and time span; in many instances a year or two of American graduate education would meet the student's educational objectives and needs and would relate more directly to job opportunities in his own country.

The more mature student is less likely to be tempted to remain in the U.S. after his educational objective is completed, and, if his time here is relatively short, he will find his readjustment into his own society easier. While trips home during the course of his undergraduate study may help to keep him in touch with his own society, the contrast between his student life in the U.S. and

life at home will have a severe impact on the less mature student.

The majority of LDCs can provide an undergraduate education for their secondary school graduates and the USG has over the years spent more than a billion dollars to strengthen and develop these undergraduate institutions. It is in the area of post-graduate education that many of the universities in the LDCs are lacking. There is an abundance of candidates for graduate study in the United States who could not afford such education without scholarships.

Secondary educational systems in the LDCs are varied in both their organization and the quality of the education they provide. In neither aspect are these systems equivalent to ours. Secondary school graduates from LDCs will require not only extensive English language training before entering an American university, but also remedial work in other fields. University graduates, on the other hand, while requiring in many instances additional English language training, will be less deficient than secondary school graduates in terms of the admission requirements of American universities.

2. Length of Scholarship

The proposal as submitted provides for a four year undergraduate education plus additional time for English language training. In many instances this means a five year scholarship. Despite the trips home provided for in the proposal, we feel that this length of time for impressionable young students will almost insure alienation from their homeland and foster a desire to remain or return to the U.S. permanently. The instance of marriage to an American will be more likely to increase among this age group, thus precluding any attempt to force the recipient to return home.

Furthermore, undergraduate training in some fields almost presupposes that graduate education will follow immediately in order to maximize the value of the undergraduate education.

On the other hand, post-graduate scholarships can be of great value to the recipients even if limited to one or two years. There is more likely to be a direct relationship between the graduate education and the immediate opportunities on return to put that education to work.

3. Initiating a Scholarship Program in Stages

The proposal envisages setting up the administrative machinery, both here and abroad, and beginning the program with the planned five scholarships per 125 LDCs. Even though the number of countries qualifying as LDCs may be less than this planning figure, this would mean five to six hundred scholarships each year. It will be extremely risky to attempt to inaugurate a program at this level, even with a long lead time for organization. There will be serious unplanned difficulties which will be much easier to work out if the program is inaugurated on a much smaller scale. This can be accomplished best by selecting ten or fifteen countries to inaugurate the program and gradually expanding it to cover the remainder of the LDCs.

4. Justification for the Program

Any scholarship program developed for the LDCs should and can be justified on its merits. All reference to the actions and programs of the Soviet Union in this field should be eliminated as irrelevant.

5. An Alternative Scholarship Proposal

If this scholarship proposal is to be a memorial to the late Senator Humphrey, it can be focused not only on the poor but able applicant, but also on applicants for study in the fields which are most identified with the Senator's life-long work--urban development, economic planning, applied sciences, labor economics, etc.

The Department believes that a graduate rather than an undergraduate program can be most productive and that it can be tailored to meet the basic premise of this proposal, i.e., to help the poor but able student get a useful education. A brief statement of an alternative scholarship program follows.

There is no dearth of poor but proven candidates for graduate study abroad, in many instances from countries that cannot provide the graduate study desired or needed. This is particularly true if we consider those fields of work/study most closely related to Senator Humphrey's interest.

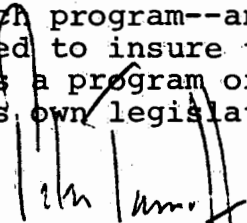
The program could offer one year of graduate study in selected fields plus whatever additional time is

required to provide English language training. The scholarship could consist of English language training, a specially organized orientation program, nine months of study at an American university carefully selected for its outstanding work in the chosen field of study, plus three months of additional relevant experience, such as individual placement in an intern program with a federal, state or local government, or private industry as appropriate to the field of study. Or these three months could be spent at a second educational institution in another community, or even additional study at the first institution. Throughout the program these students would receive all of the counseling, guidance, and consultation needed to insure a successful experience. This latter feature would differentiate this group of students from those coming under other government programs which have been unable to afford such extensive special treatment for their grantees or participants.

Those eligible for scholarship consideration could be limited to students just graduating from their universities at home in which case their graduate year in the U.S. would follow immediately upon graduation. In setting up a selection process, it is entirely possible to provide for early identification and selection by accepting applicants who are in their junior year. If their acceptance can be announced early enough it would permit them to prepare for their U.S. study by taking English language courses, or participating in pre-departure orientation, or taking different courses in their senior year.

There is also merit in selecting scholarship recipients from among university graduates who have worked a period of time, say three or five years, after graduation who are holding jobs in the field of study selected or have an opportunity to move into such jobs. Selecting recipients from among job holders will increase the chances of return, and will improve the chances that they can apply their training immediately.

In sum, we believe that the NSC proposal is eminently worth considering, but we should not underestimate the costs--it will be a very rich program--and the organization which will be required to insure that the program achieves its purposes. Thus a program of this size and significance should have its own legislative base.


Peter Tarnoff
Executive Secretary

THE WHITE HOUSE
WASHINGTON

Patti:

Pls staff the attached proposal
to: Califano, Vance, and John
Reinhardt (Director of USIA,
designated director for ICA (int.
Communications Agency).

Do not include Brzezinski's memo.
Just put on a note stating that
NSC has proposed the attached
program.

1 week turnaround.

Thanks.

Peter
Taenoff
632-2540

12/80
B.I.
status?

THE WHITE HOUSE

WASHINGTON

Date: February 10, 1978

MEMORANDUM

FOR ACTION:

Secretary Califano
Secretary Vance
Director Reinhardt

attached
attached

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: NSC Proposal -- North-South Scholarships

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 12:00 Noon

DAY: Friday

DATE: February 17, 1978

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)